

3.8.96

FA TO : MARK MALONE

(FROM TOM OVERTURE - MDC)

THE TWO OUTSOURCING PROPOSALS ARE SURPRISINGLY CLOSE (FOR THE LACK OF DATA AVAILABLE ON EXISTING OPERATIONS!!) I HAVE MORE CONFIDENCE IN "UNISOURCE" AT THIS POINT, BUT I THINK BOTH CAN BE NEGOTIATED DOWN. IT MAY BE WORTH WHILE TO HAVE A 4WK "COMPETITION" - GIVE THEM EACH \$10,000 TO DO A DETAILED PLAN, OPER. MANUAL, FINAL BEST OFFER. UNFORTUNATELY, IT APPEARS THAT D.A.C. / DADSCO WILL DRIVE THE DECISION ANYWAY. WE REALLY NEED TO GET A LIST OF POSSIBLE OUTSOURCING CONSULTANTS FROM THEM WITH FALL '97 POTENTIAL MOVE OUT.

## Proposal

### Interior Decorative Materials

Flightline Industries is prepared to assume responsibility for Interior Decorative Materials at a cost to McDonnell Douglas of 26,800.00 per month, based on three (3) full time personnel and 20,000 square feet of space.

Separate start up cost is requested totaling: \$50,000.00.

THIS IS RAMS. WAREHOUSING MOVED TO LAPALMA - COMPARES TO UNISOURCE EXCEPT UNISOURCE PROVIDES MORE STAFFING (14) [114%] AND MORE WARE AREA (40,000 SF) [114%], @ MORE START UP COST (\$109,600) [110%] AND MORE MONTHLY COST (\$8,360) [104%].

Flightline Industries will accept responsibility for the C-6 inventory based on ten (10) full time personnel and 35,000 square feet of work space at a monthly cost to McDonnell Douglas of \$78,250.00 per month.

Separate start up cost is requested totaling: \$100,000.00.

FLIGHTLINE'S RAMS COST/SF/MO = \$2.24  
(VS "UNISOURCE" 3.6.96 QUOTE \$2.03)

Specifics of the appropriate statement of work for both programs is contained in enclosure(s) 1 and 2 respectfully.

### Assumptions:

- A short term program would require McDonnell Douglas to carry insurance to cover aircraft product.
- The costs reflected above are based on lease prices.

### Conclusions:

- Flightline would purchase a facility and carry appropriate additional insurance based on a seven to ten year long term contract.
- Flightline could house multiple programs on a long term basis, therefore reducing the overall cost of those programs.
- Start up costs could be reduced for multiple programs.
- Flightline Industries would collaborate with McDonnell Douglas and our Commercial Real Estate Broker in order to establish a cost effective purchase program acceptable to McDonnell Douglas Real Estate. Purchase arrangements may include the purchase of an existing McDonnell Douglas facility.

SEND COPY TO: BOB ERMAN ✓  
STEVE BISSET ✓  
DON PRESCOTT ✓

ALSO: MARIO  
MERIE  
STEVE  
PHIL.

APB 1075



FAA REPAIR STATION  
LIC. # XIER811L

14 CENTER POINTE DR  
LA PALMA, CA 90623  
TEL. (714) 523-9977  
FAX (714) 523-0995

March 8, 1996

Mr. T. Overturf  
Director of Development  
McDonnell Douglas Realty Company  
McDonnell Douglas Corporation

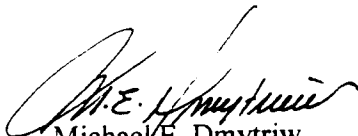
Dear Mr. Overturf,

This cover letter forwards two(2) separate business proposals. Since the subject of the work involved is already contained in our contractual statement of work, we already have the quality clauses, procedures and experience in place to assume responsibility without any disruption to present effectiveness. We are ready to accept both programs and enter into a long term agreement with your Corporation. McDonnell Douglas is our only customer, therefore, our focus is to meet your needs.

Enclosure (1) is our Statement of Work and Standard Operating Procedures for receipt, inspection, inventory control, test and issue of Decorative Materials. Enclosure (2) are similar documents with respect to our Inventory Control systems. Both types of work have been accomplished by our company for the past six (6) years for the MD-11 Program. In addition we are intimately familiar with Buyer Furnished Materials and various Off Load Programs.

I have also included commercial real estate information I requested from CB Commercial Real Estate in order to become more knowledgeable about current information and pricing. There are some specifics with respect to real estate that need to be established. We would be interested in the purchase of a facility to house both programs under a long term agreement. I believe this would be a viable consideration with respect to cost effectiveness. The less desirable method of securing property is a lease, which of course, is not profitable for either organization. I firmly believe that with guidance from your organization we can secure a property suitable to our mutual requirements.

Best Regards.

  
Michael E. Dmytriw  
Manager

cc: Tino Romero, President  
Mai Trinh, Finance  
Keith Blough, DMIR, Quality Control

(314) 232.1432  
pg 1 of 3



DATE: March 6, 1996

TO: Mr. Tom Overturf, McDonnell Douglas

FROM: Mr. Ken Kastner, Unisource Office Services *AK*

RE: Repair and Maintenance Services (RAMS)

On behalf of Unisource Office Services, please accept our appreciation for the opportunity to present pricing for the development and implementation of a full service distribution facility for RAMS.

Please be advised that the numbers provided within this document are for budget purposes only and will be modified following a detailed review of the site and development of an operations procedures manual.

#### Scope of Work

The Repair and Maintenance Services division is a full service organization. This organization employees over 100 employees internationally, with the overall goal of assisting clients with the refurbishing of used McDonnell Douglas aircraft. Currently this operation has facilities in Torrance, Long Beach and Mesa Arizona.

In support of this refurbishing operation, RAMS operates a 100,000 +/- warehouse in Torrance California. This warehouse is used for the storage and distribution of "tool kits" that assist in the refurbishing process. These "tool kits" are leased to external and internal clients, with these items being returned to storage after they are used by the appropriate party.

Based upon my discussion with Pete Huebner, the following can be discussed:

- The RAMS operation has 1000 transactions over the previous 8 months
- 75%-80% of the items turn 3-4 times a year
- The current facility is staffed by 14 employees
- The storage facility currently holds 5200 +/- items
- All items must be routed thru the traffic/customs location within the Torrance Facility.
- Mr. Huebner has indicated that they have a 70,000 square foot inside requirement and a 54,000 square foot outside requirement

#### NORTHERN CALIFORNIA

3004 Alvarado Street San Leandro, California 94577 PHONE (510) 614-0171 FAX (510) 614-0178

#### SOUTHERN CALIFORNIA

8350 Rex Road Pico Rivera, California 90660 PHONE (310) 949-1111 FAX (310) 949-7110

Ⓐ 3 of 5



Although the above items will be helpful with the development of a program, our firm would need to conduct a detailed review of the processes at hand, and understand all aspects of this process.

The following is our process for the implementation of the "outsourcing" of this warehouse function. Please note the time frame for the implementation of the full program:

I.	Process Review	03 weeks
II.	Site Review	03 weeks
III.	Preliminary Operations Manual	04 weeks
IV.	Staffing	02 weeks
V.	Finalized Operations Manual	02 weeks
VI.	Software Modification	04 weeks
VII.	Relocation of Warehouse	03 weeks
VIII.	Warehouse 100% Operational:	12 weeks

We believe that in order to develop and implement a quality distribution program the above services need to be reviewed in a truly collaborative manner. The above services will denote items of high-use vs. non-use, with the overall goal of developing a stocking level that reduces your overhead costs, while increasing operational effectiveness. It is our assumption that the entire distribution facility can be relocated and in full operation in 8 months.

#### **Estimated Costs**

The following costs have been developed for budget purposes only and will be modified during each phase of the development process. For the purpose of this review we have denoted a space of 40,000 square feet with no outside storage.

#### **Development Costs**

Process Review:	\$ 7,800.00
Site Review:	\$ 7,800.00
Preliminary Operations Manual:	\$ 10,500.00
Staffing:	\$ Included
Finalized Operations Manual:	\$ 3,500.00
Software Modification:	\$ Included
Relocation of Warehouse:	\$ 80,000.00

**Estimated Development Costs: \$109,600.00**

(A) 4 of 5



Operational Costs

Facility Costs:	\$16,000.00
Operational Costs:	\$59,360.00(14 employee staffing)
Computer Fee:	\$ 3,000.00
Utilities:	\$ 3,000.00

**Total Monthly Fee: \$81,360.00**

Please note that the above operational costs have been developed for budget purposes only as exact square footage and staffing levels have yet to be determined. We will bundle all of the above into a single cubic footage cost. It is our estimate that we will charge .40-.45 a cubic foot. This cost will be variable and will be managed to reduce the overall cost of the program.

Our firm is prepared to execute a total review of this operation (I-V) and finalize all operational costs. Following a detailed review of the operation, a detailed summary of the operating costs will be provided, and utilized to determine the economic and operational feasibility of "outsourcing" the RAMS operation.

① SJS

# MEMORANDUM

TO: TORRANCE PROJECT TEAM  
 FROM: TOM OVERTURF  
 DATE: MARCH 7, 1996  
 SUBJECT: TORRANCE PLANNING AND MOVE COORDINATION

(314) 232.1432  
 MAIL CODE 1001320  
 PER OUR CONVERSATION, THE  
 WILL CONFIRM OUR "BEST GUESSES"  
 COST AND AREA REQUIREMENTS.  
 ALSO ATTACHED IS COPY OF  
 UNISOURCE 3.6.96 PROPOSAL FOR  
 "COMPLETE" OUTSOURCE OF P.A.M.S.  
 FLIGHT LINE'S PROPOSAL SHOULD  
 BE DELIVERED BY FEB 7 0  
 MONDAY. SEE YOU NEXT  
 WEEK.

1. Mario and Merle to do overall project. Budget Update - looks like we have "Budget Creep" so let's consider additional contingency to keep overall numbers in line. Use earlier side-by-side tabulation for comparison.
2. Corporate Audit Team here next week will be Mark, Jeff and Bob to study current options for exiting the entire remainder after retail phase (approximately 1.7M S.F.) in one of three out years 1997; 2000; or 2010:
3. Each exit scenario has various alternatives for tenancy, including:
  - A. New Construction - Ownership
  - B. Lease Existing or New
  - C. Outsource
4. This is predicated on our assumption that fire back-up water supply will be required as long as we occupy Building 2 or have DADSCO as tenant and that total delta cost will be \$1.5M (\$1M for water plus \$500,000 for "other", such as minimal roof repair, electrical, etc.), but not including storm drainage, power, streets, etc. that will be incorporated as part of later Business Park design and construction.
5. We need to provide costs for the above combinations including new construction of 32' height (for 28' racking system) in state-of-the-art warehousing. Based on Unisource's general estimate that increased efficiency and disposing of non-essential items, it appears that the "best guess" new space requirements estimate would be:

A.	MDA-TA(C-17)	at 50%	x	160,000 S.F.	=	80,000 S.F.
B.	DADSCO	at 70%	x	600,000 S.F.	=	420,000 S.F.
C.	McAir & Misc.	at 50%	x	20,000 S.F.	=	10,000 S.F.
D.	DAC	at 32%	x	1,220,000 S.F.	=	390,000 S.F.
E.	Non-Utilized	at 0%	x	318,000 S.F.	=	0 S.F.

Total required to accommodate all on-site = 900,000 S.F.

6. See attached plan for potential site layout in southwest corner of our site, configured for optimum secondary user/sale potential in a variety of sizes which also allows maximum flexibility for occupancy to MDC components.
7. Comparable Project Cost Economics:
  - A. Hard Construction Costs (concrete tilt-up) ..\$14.50/S.F.
  - B. Architecture, Engineering, Permits, etc. ....\$2.50/S.F.
  - C. Soft Costs (taxes, interest, misc.).....\$4.50/S.F.

Subtotal Building	\$21.50/S.F.
<u>Add \$10.00/S.F. Land at 50% FAR</u>	<u>\$20.00/S.F.</u>
<u>Total</u>	<u>\$41.50/S.F.</u>
8. Comparable Triple Net Rent \$0.37 - \$0.45/S.F./Mo.  
with average \$0.41/S.F./Mo.
9. DAC has agreed to the use of Building 18 for Project Sales Office, but it will require paint, finish, signage, etc. as required for function - also site plan to show access, parking, etc. MDRC should proceed with design, bidding and construction per tenant (and DAC) approvals.
10. DAC also wants us to proceed with heavy equipment relocations out of Building 37 - Fox will have all sold and salvaged items out by end of month. DAC has no budget for moving as their assumption was that sales value would offset. They have a \$350,000 offer for 4 gantry machines from D. Bass (which they feel is low). They feel our moving bids are high - could be lower if we could use DAC people and equipment, but they may be committed to their own moves.
11. We need to confirm who gets salvage income, potential use of DAC heavy equipment to lower salvage costs and/or possible sale or lease of heavy equipment to contractors.
12. Video library (5,000 S.F.) must be moved - Need architectural measurement of existing equipment and plan for new area. Coordinate with Bob Ekman through J. Klein, Manager (see attached) and with Johnny Marasco and Jay Falkenburg to get plan and cost approved.

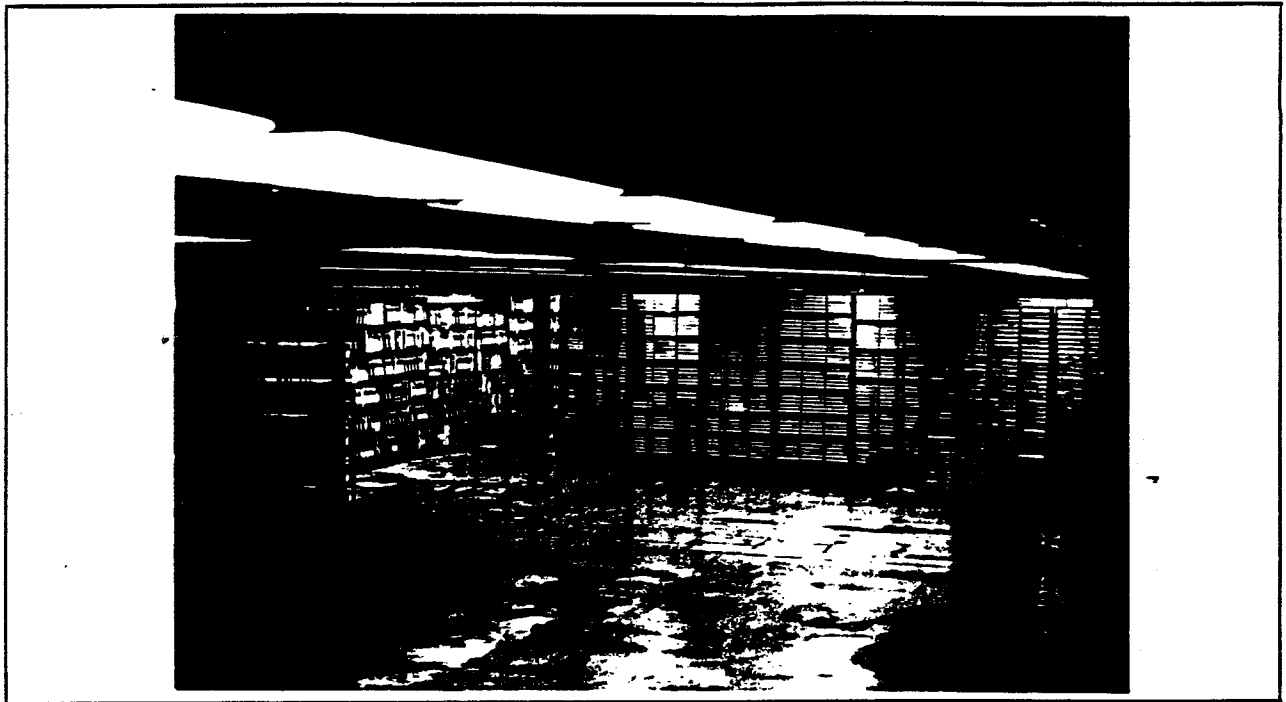
TAO:kk KKTO1713

#### Attachments

cc: Phil Cyburt, Steve Barker, Merle Pautsch, Mario Stavale, Corporate Audit Team

B274

# VIDEO LIBRARY



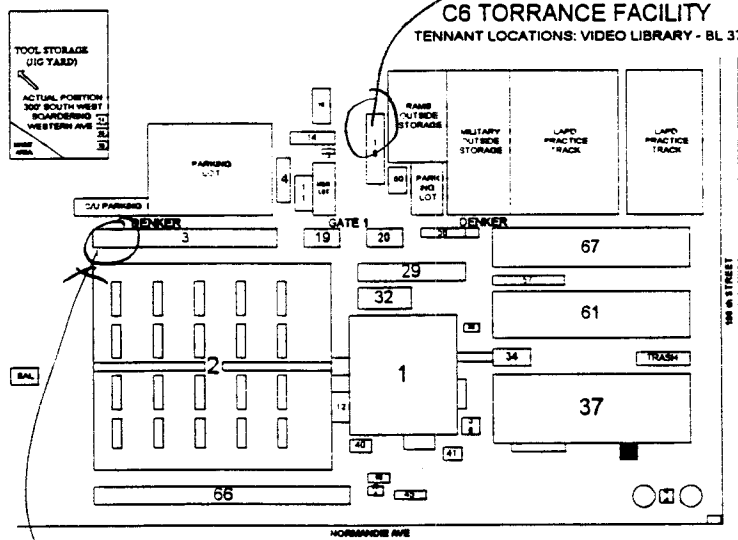
Organization  
Tele Production - Video Library

General Manager  
J. Klein

## Activity

The Video Library houses various video's and films used by MDC. They are used for training, information, advertising and presentations.

*USE ROOM 1805 FOR SALES OFFICE / MEETING ROOM*



## Location

The Video Library is located on the second floor north end of building 37.

## Area

The library currently occupies 2,500 sq ft.

## Special Requirements

Requires a climate controlled area.

## Status

Located in MDRC phase 1. Proposed relocation will be to bldg. 3

## Notes

*RELOCATE TO EXIST ROOM ON SOUTH END BLDG. #3.*



LOCKHEED MARTIN

INDUSTRIAL SALES

CAPITAL METALS

PASEO

150,000 SF

McDONNELL DOUGLAS  
STORAGE FACILITY

250,000 SF

200,000 SF

300,000 SF

SUB  
STATION

MONTROSE/SUPERFUND SITE

**CONCEPTUAL SITE PLAN**

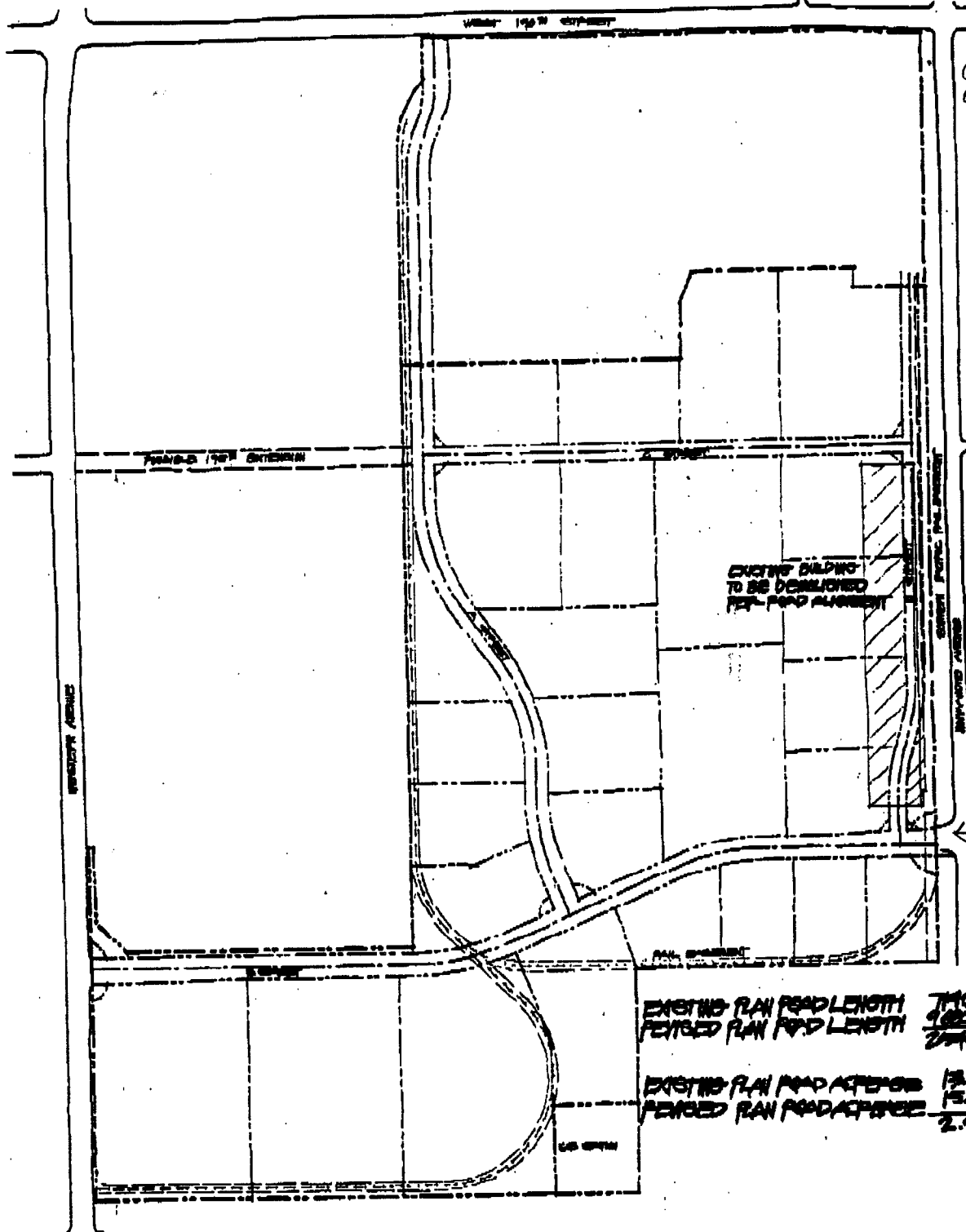
TOTAL 960,716 S.F.  
(INCLUDING MEZZANINES)

DAVE LANGRISH ☐  
MARK MALONE ☐

ANOTHER FACTOR IN THE DEVELOPMENT COST ALTERNATIVE INVOLVES THE NEED FOR ACCESS ACROSS THE R.R. TRACKS ON WEST SIDE OF NORMANDIE. DUE TO THE TRACKS BEING 2-3' ABOVE STREET GRADE, WE FACE MAJOR COSTS FOR CROSSINGS. ANOTHER OBSTACLE IS GETTING TIMELY DECISIONS OUT OF RAILROAD, BUT THE RETAIL FOLKS MUST HAVE ACCESS FROM NORMANDIE. THE RAIL CROSSINGS COULD COST \$1M EA. SO WE'RE LOOKING AT POSSIBILITY OF AN EAST FRONTAGE STREET WHICH UTILIZES EXIST. CROSSING. OBVIOUSLY THIS ALTERNATIVE WIPE OUT PLDGS 66, AND IS A SINGLE LOADED STREET. IT WILL REQUIRE BIG SELL TO VESTAR AND TO WAL-MART BUT WILL SAVE \$500,000 TO 1,000,000 AND A LOT OF ANXIETY & TIMING PROBLEMS.

PUR, IT DOES  
PUT ONE MORE  
GOOD BUILDING  
OUT OF USE BY  
FALL 1997. I  
MEET WITH  
VESTAR ON  
TUE, SO WILL  
KNOW MORE  
NEXT WEEK

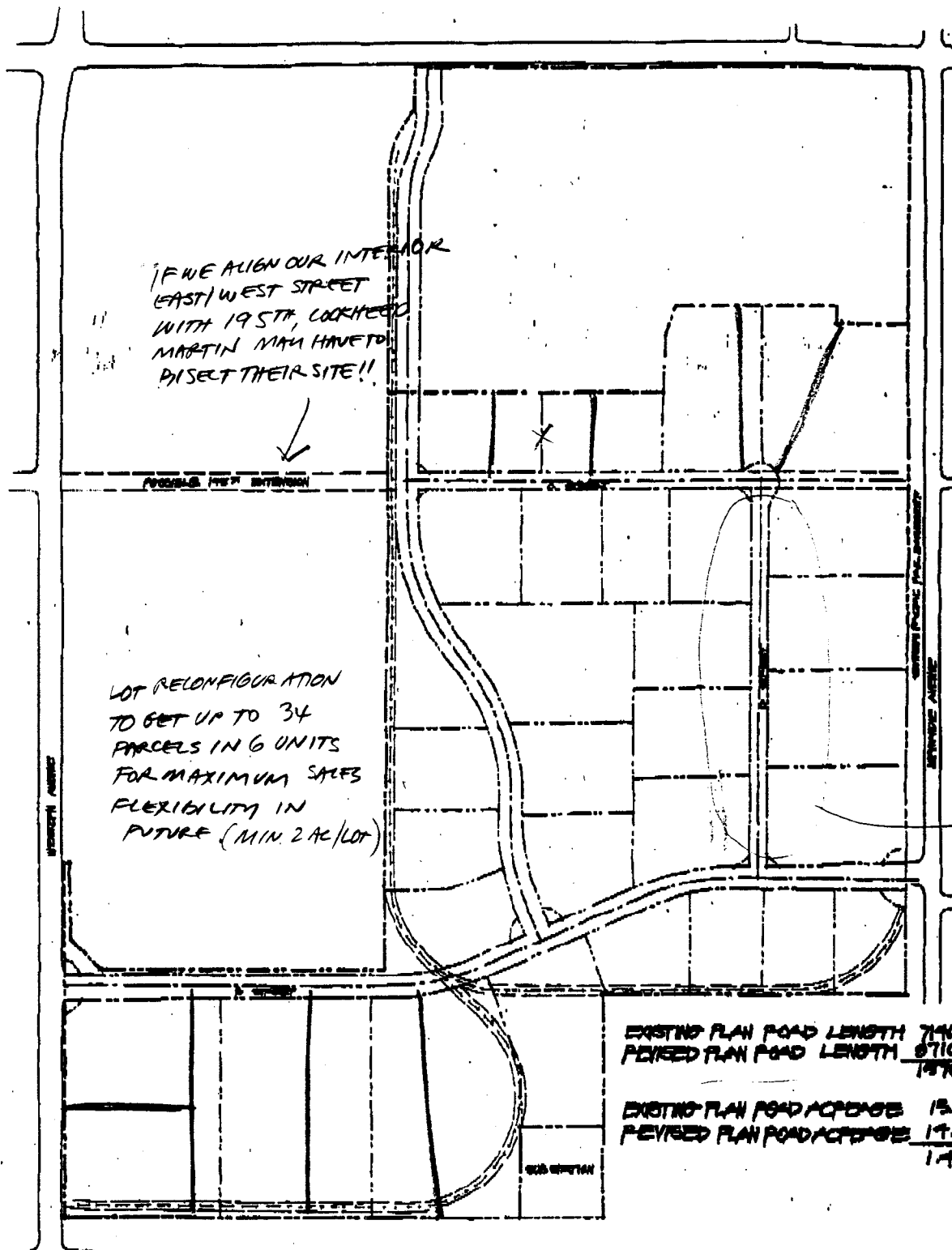
tom.

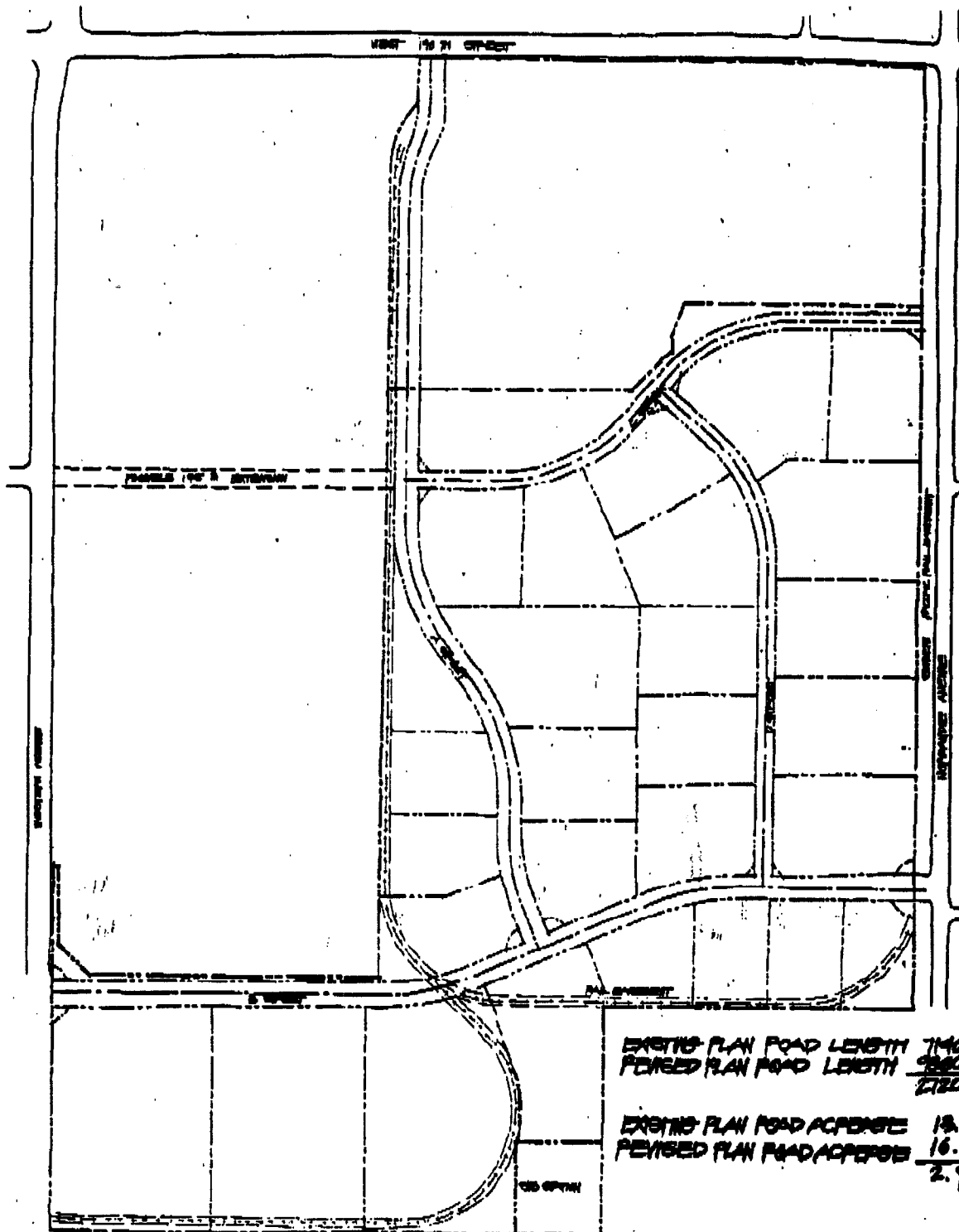


EXISTING RAIL ROAD LENGTH 740'  
PROPOSED RAIL ROAD LENGTH 1,000'  
EXISTING RAIL ROAD ACROSS 13.2  
PROPOSED RAIL ROAD ACROSS 15.7  
2.5

ROAD ALIGNMENT ALT. 4  
HARBOR GATEWAY CENTER  
MCDONNELL DOUGLAS REALTY

SCALE: 1"=100'  
DATE: 9/6/95

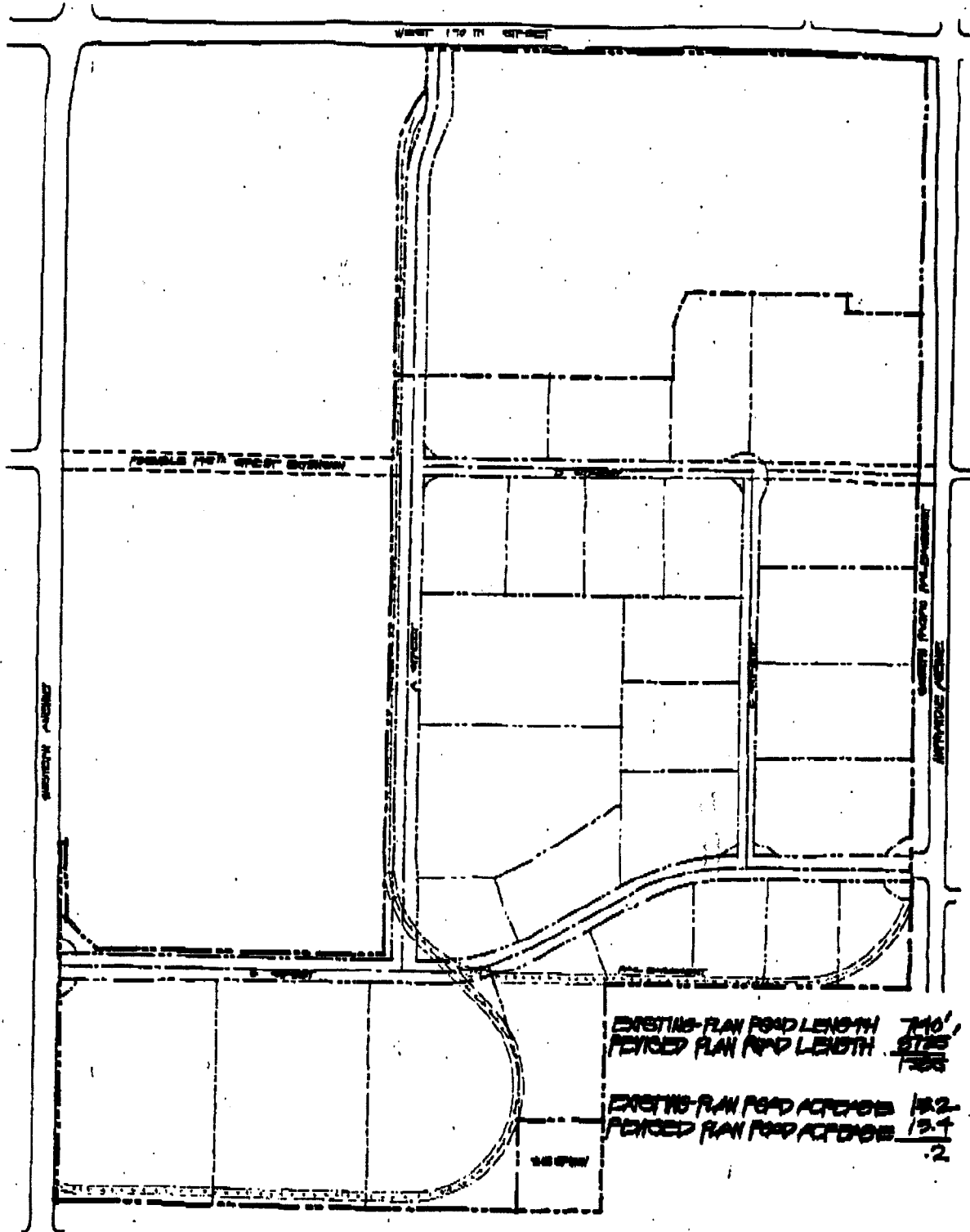




**ROAD ALIGNMENT ALT. 2**  
**HARBOR GATEWAY CENTER**  
 MCCOWELL DOUGLAS REALTY

SCALE 1"=40'  
 DATE 3/6/96 PBR

© 1983064



**ROAD ALIGNMENT ALT. 3**  
**HARBOR GATEWAY CENTER**  
 NEEDMILL DOUGLAS PERLIT

SCALE: 1"=100' P.P.  
 DATE: 8/6/96

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